

MISSISSIPPI DIVISION OF MEDICAID

Eligibility Policy and Procedures Manual

304.01.04C DETERMINING WHETHER AN ANNUITY IS ACTUARIALLY SOUND

A determination must be made on whether the purchase of annuities, other than qualifying IRS annuities, is treated as a transfer of assets for less than fair market value. If the expected return on the annuity is commensurate with a reasonable estimate of the life expectancy of the beneficiary, the annuity can be deemed actuarially sound.

To make the determination regarding whether the annuity is actuarially sound, use the life expectancy tables located later in this section, compiled from information published by the Office of the Actuary of the Social Security Administration. The average number of years of expected life remaining for the individual must coincide with the life of the annuity.

If the individual is not reasonably expected to live longer than the guarantee period of the annuity, the individual will not receive fair market value of the annuity based on the projected return. In this case, the annuity is not actuarially sound and a transfer of assets for less than fair market value has taken place, subjecting the individual to a penalty.

The penalty is assessed based on a transfer of assets for less than fair market value that is considered to have occurred at the time the annuity was purchased.

Examples

1. A male at age 65 purchases a \$10,000.00 annuity to be paid over the course of 10 years. His life expectancy according to the table is 16.73 years; thus, the annuity is actuarially sound.
2. A male at age 80 purchases a \$10,000.00 to be paid over the course of 10 years. His life expectancy is only 7.62 years; thus, the annuity is not actuarially sound.

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Calculating the Uncompensated Value (UV) of Annuities (Pre-DRA)

Use the following procedures to calculate the uncompensated value of annuities purchased prior to February 8, 2006:

- Divide the purchase price of the annuity by the number of payout years. This equals the annual rate.
- Using the Life Expectancy Table, determine the number of years the individual is expected to live. Subtract the number of years from the number of payout years.
- Multiply the difference by the annual rate. This is the uncompensated value.
 - Purchase Price divided by Payout years = Annual Rate
 - Payout years minus Life Expectancy = Difference
 - Difference times Annual Rate = Uncompensated Value

Example:

For a man, age 80, who purchases an annuity for \$10,000.00 prior to February 8, 2006, to be paid over 10 years, the uncompensated value is calculated as follows:

- The purchase price (\$10,000.00) is divided by the number of payout years (10) to get the annual rate of \$1,000.00.
- The number of payout years (10) minus the Life expectancy years (7.62) equals 2.38.
- $2.38 \times \text{annual rate of } \$1,000.00 = \$2,380.00$, the uncompensated value.

NOTE: If the annuity in the above example had been purchased on or after February 8, 2006, the full purchase value of the annuity \$10,000.00 would be considered the amount transferred.

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LIFE EXPECTANCY TABLES – MALES

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<u>AGE</u>	<u>LIFE EXPECTANCY</u>	<u>AGE</u>	<u>LIFE EXPECTANCY</u>	<u>AGE</u>	<u>LIFE EXPECTANCY</u>
0	74.81	41	36.39	82	6.68
1	74.38	42	35.49	83	6.24
2	73.42	43	34.59	84	5.82
3	72.45	44	33.70	85	5.41
4	71.47	45	32.81	86	5.03
5	70.48	46	31.93	87	4.67
6	69.49	47	31.06	88	4.34
7	68.51	48	30.20	89	4.02
8	67.52	49	29.34	90	3.72
9	66.53	50	28.49	91	3.45
10	65.53	51	27.65	92	3.20
11	64.54	52	26.83	93	2.97
12	63.55	53	26.00	94	2.77
13	62.56	54	25.19	95	2.59
14	61.57	55	24.37	96	2.43
15	60.60	56	23.57	97	2.29
16	59.64	57	22.77	98	2.16
17	58.68	58	21.97	99	2.05
18	57.74	59	21.19	100	1.94
19	56.80	60	20.42	101	1.83
20	55.87	61	19.66	102	1.73
21	54.94	62	18.91	103	1.63
22	54.02	63	18.17	104	1.54
23	53.10	64	17.44	105	1.45
24	52.18	65	16.73	106	1.37
25	51.25	66	16.02	107	1.28
26	50.33	67	15.32	108	1.21
27	49.40	68	14.63	109	1.13
28	48.47	69	13.96	110	1.06
29	47.53	70	13.30	111	0.99
30	46.60	71	12.66	112	0.92
31	45.66	72	12.04	113	0.86
32	44.73	73	11.43	114	0.80
33	43.79	74	10.84	115	0.74
34	42.86	75	10.26	116	0.68
35	41.93	76	9.70	117	0.63
36	40.99	77	9.15	118	0.58
37	40.06	78	8.63	119	0.53
38	39.14	79	8.11		
39	38.22	80	7.62		
40	37.30	81	7.14		

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<u>AGE</u>	<u>LIFE EXPECTANCY</u>	<u>AGE</u>	<u>LIFE EXPECTANCY</u>	<u>AGE</u>	<u>LIFE EXPECTANCY</u>
0	79.95	41	40.51	82	8.04
1	79.45	42	39.57	83	7.52
2	78.48	43	38.64	84	7.02
3	77.50	44	37.71	85	6.54
4	76.52	45	36.79	86	6.08
5	75.53	46	35.87	87	5.65
6	74.54	47	34.96	88	5.25
7	73.55	48	34.05	89	4.87
8	72.56	49	33.14	90	4.52
9	71.57	50	32.24	91	4.19
10	70.58	51	31.35	92	3.89
11	69.58	52	30.46	93	3.61
12	68.59	53	29.57	94	3.36
13	67.60	54	28.69	95	3.13
14	66.61	55	27.82	96	2.93
15	65.62	56	26.94	97	2.75
16	64.64	57	26.08	98	2.58
17	63.67	58	25.22	99	2.43
18	62.69	59	24.37	100	2.29
19	61.72	60	23.53	101	2.15
20	60.74	61	22.70	102	2.02
21	59.77	62	21.88	103	1.89
22	58.80	63	21.08	104	1.77
23	57.83	64	20.28	105	1.66
24	56.86	65	19.49	106	1.55
25	55.88	66	18.70	107	1.44
26	54.91	67	17.93	108	1.34
27	53.94	68	17.17	109	1.25
28	52.97	69	16.42	110	1.16
29	52.00	70	15.69	111	1.07
30	51.03	71	14.97	112	0.99
31	50.06	72	14.27	113	0.91
32	49.10	73	13.58	114	0.84
33	48.13	74	12.90	115	0.76
34	47.17	75	12.24	116	0.70
35	46.21	76	11.59	117	0.63
36	45.25	77	10.96	118	0.58
37	44.29	78	10.34	119	0.53
38	43.34	79	9.74		
39	42.39	80	9.16		
40	41.45	81	8.59		

